



**Livestock and Seed Program
Audit, Review, and Compliance Branch
Quality System Audit Report**

AUDIT INFORMATION

Applicant Name:	Certified Organic, Incorporated
Est. Number:	N/A
Physical Address:	500 First Street, Keosauqua, IA 52565
Mailing Address:	500 First Street, Keosauqua, IA 52565
Contact & Title:	Nanette Daugherty Rambo, Certification Manager
E-mail Address:	certifiedorg@netins.net
Phone Number:	866.581.6428
Auditor(s):	Rick Skinner
Program:	USDA National Organic Program (NOP)
Audit Date(s):	March 06, 2006
Audit Identifier:	NP5144EEA
Action Required:	Yes
Audit Type:	Corrective Action Audit
Audit Objective:	To verify that the submitted corrective actions address the non-compliances identified during the initial onsite audit
Audit Criteria:	<ul style="list-style-type: none">• <i>USDA, AMS 7 CFR Part 205 National Organic Program, Final Rule</i>, dated December 21, 2000 – <i>Amended November 2003</i>• <i>Certified Organic, Inc. – Administrative Policies and Procedures Manual</i>, dated November 2005.
Audit Scope:	Submitted corrective actions
Location(s) Audited:	Desk

Corrective actions were submitted by Certified Organic Incorporated to the National Organic Program. The corrective actions were sent to the auditor of record in January 2006 and included:

- Two (2) Livestock operations files (1-2003/1-2004), two (2) crop operations files (1-2003, 1-2004) and two (2) processor operations files (1-2003/1-2004).
- Resume' for Jimmie Daugherty
- Resume' for Nanette Daugherty Rambo
- Resume' for David G. Fisher
- COI Policy and Procedure Manual – Dated November 2, 2005
- National Organic Program Annual Update Checklist – 2004
- National Organic Program Annual Update Checklist – 2003
- Annual Conflict of Interest Reports (2005) for Inspectors (5 inspectors)
- Annual Conflict of Interest Reports for Reviewers (2)



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- Annual Confidentiality Agreements (2005) for Inspectors (3)
- Annual Confidentiality Agreements (2005) for Staff (2)
- List of Certified Operations for 2004 – (8)
- List of Certified Operations for 2003 – (5)
- Inspector List for 2003 (4) – Inspector List for 2004 (5)
- IOIA Directory Credentials for each inspector

Included with the submitted documents were four Conflict of Interest Statements and Confidentiality Agreements for the five inspectors listed. One Conflict of Interest Statement was that of an inspector not listed on the approved inspector list. There was no corrective action proposal submitted with the documentation.

FINDINGS

The submitted corrective actions to the previous two Continuous Improvement Points, the six major non-compliances, and five minor non-compliances did not adequately address all of the findings. Two Continuous Improvement Points, four of the six major non-compliances, and three of the five minor non-compliances have been adequately addressed. Two major non-compliances and two minor non-compliances are not adequately addressed.

NP22800A.NC2 – CIP – Adequately Addressed- There are several references throughout the material which references the State of Iowa. *The State of Iowa does not have a state program which is recognized by NOP.* **Corrective Action:** COI stated that all references to The State of Iowa have been removed from their materials. **Corrective Action Verified:** The company policies and procedures reviewed during the audit still refer to this Program. Therefore, this non-compliance remains outstanding. **Corrective Action:** There are no longer references in the November 2005 Policies and Procedures Manual to the State of Iowa organic program.

NP22800A.NC3 – CIP – Adequately Addressed – NOP §205.405(f) requires a certifying agent to request from a new applicant, who previously made application with another certifying agent, notices of non-compliances or notices of denial issued by the previous certifying agent. *COI's Administrative Policies and Procedures Manual Section B (1.2) states "COI shall accept applications from all applicants who have filled out the appropriate forms and paid their application fee". COI makes no reference to requesting applicant for previous notices of non-compliances or notices of denials on their applications.* **Submitted Corrective Action:** COI inserts into their application package a document asking information about prior certification activities. When new application packets are printed, the information will be included. **Corrective Action Verified:** The corrective actions could not be verified. Therefore, this non-compliance remains outstanding. **Corrective Action:** This corrective action is addressed by the addition of the verification of prior certification activities to the Application.



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NP5144EEA.NC1 – Major – Adequately Addressed - NOP §205.510 states, "...an accredited certifying agent must submit annually to the Administrator..." *A review of Program documentation since accreditation in November of 2002 could not verify that annual updates for 2003 or 2004 had been submitted to the Administrator as required.* **Submitted Corrective Action:** Records show that COI submitted an update to the National Organic Program in 2005 as required. One major and two minor non-compliances were identified. It was found that not all of the required documents were submitted with that update. Even though the submission was incomplete, it addresses the requirement of this clause of the Rule.

NP5144EEA.NC2 – Elevated to Major – Adequately Addressed - NOP §205.501(18) states, "...provide the inspector, prior to each on-site inspection with previous on-site inspection reports and notify the inspector of its decision regarding certification of the production and handling operation..." *Interviews with the certifying agent verified that a copy of the previous inspection report is not included with the information sent to the contracted inspector prior to the on-site inspection. Additionally, decisions resulting from the inspection are not communicated back to the inspector.* **Reason for Elevation:** At the request of the NOP. **Submitted Corrective Action:** The update Policies and Procedures Manual 3.3.1.3 now states, "...a certifying agent shall provide the inspector, prior to each onsite inspection, with previous on-site inspection reports and notify the inspector of its decision regarding certification of the production or handling operation..." This addition provides the procedure for performing inspections according to the Rule.

NP5144EEA.NC3 – Elevated to Major – Not Adequately Addressed - NOP §205.501(7) – 205.505(4) states, "...have an annual internal program review conducted of its certification activities conducted by the certifying agent's staff..." *A December 2004 record of an abbreviated internal review was provided. However, there were no other records of annual reviews since accreditation.* **Reason for Elevation:** At the request of the NOP. **Submitted Corrective Action:** A COI Performance Evaluation dated December 17, 2004, was submitted but the contents did not address the requirements of the rule. This was the same document identified in the original finding.

NP5144EEA.NC4 – Elevated to Major – Adequately Addressed - NOP §205.501(11v) states, "...requiring all persons who review applications, perform onsite inspections, review certification documents...complete an annual conflict of interest disclosure report." *There were no current conflict of interest disclosures on file. There is no evidence that any have been updated since initial accreditation.* **Reason for Elevation:** At the request of the NOP. **Submitted Corrective Action:** The documentation submitted included signed Conflict of Interest Statements from the COI reviewer and from the certifying agent.

NP5144EEA.NC5 – Elevated to Major – Adequately Addressed - NOP §205.504(3) states, "...a description of the qualifications, including experience, training, and education in agriculture, organic production and organic handling." *There were no resumes or other evidence of expertise for the two principals of the company.* **Reason for Elevation:** At the request of the NOP. **Submitted Corrective Action:** The company submitted complete resumes for the principals and those making decisions regarding certification.



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NP5144EEA.NC6 – Elevated to Major – Not Adequately Addressed - NOP §205.505(3) states, “...conduct an annual performance evaluation of all persons who review applications for certification...” *There is no evidence that annual performance evaluations have been performed for those persons making certification decisions, or for those performing on-site inspections.* **Reason for Elevation:** At the request of the NOP. **Submitted Corrective Action:** No current performance evaluations were submitted. The only evaluations were included in the December 2004 COI Performance Evaluation document. There were no inspector evaluations provided.

NP5144EEA.NC7 – Minor – Not Adequately Addressed - NOP §205.303(b1,2) states, “...(1) identify each organic ingredient in the ingredient statement with the word “organic” ...” and (2) “...on the information panel, below the information identifying the handler or distributor of the product, and preceded by the statement, “Certified organic by...” *The labels approved for use by Futterman Nut Butters did not include the term “organic” in the ingredient part of the label and did not reference an associated statement. The labels for Radiance Dairy do not meet the requirements for the reference to “organic” ingredients and do not meet the requirement to have the certifying agent listed on the label.* **Submitted Corrective Action:** Labels for Futterman Nut Butters were submitted with the update and corrective actions and are now in accordance with NOP requirements. However, no verification was submitted to show that the Radiance Dairy labels were changed to meet the requirements of the Rule.

NP5144EEA.NC8 – Minor – Adequately Addressed - COI Policies and Procedures Section J 2.2.1 states, “...COI documents are controlled in the following manner: each document is assigned a 2.1.1.1 Document name, 2.1.1.2 Page number in sequence, 2.1.1.3 Creation date, and 2.1.1.4 Revision number. Each document’s information is entered into a spreadsheet containing the following fields: 2.2.1 Document name, 2.2.2 Creation date, and 2.2.3 Revision number. *There is no evidence that obsolete documents, current documents and recently issued documents are being managed according to this protocol. The Policies and Procedures manual in use as a hard copy was dated 2003 and the electronic version was dated 2004.* **Submitted Corrective Action:** The most current version of the COI Policies and Procedures Manual was submitted. There are no other versions in use.

NP5144EEA.NC9 – Minor – Not Adequately Addressed - COI Policies and Procedures Section J 2.3 states, “...all documents necessary for certification are sent to individuals on request. Each applicant, initial and update, for certification and certified operation receives updated information on an annual basis. *There is no evidence that any client has received updates on an annual basis since accreditation.* **Submitted Corrective Action:** There was no documentation submitted to show that this procedure is being met.



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NP5144EEA.NC10 – Minor – Adequately Addressed - COI Policies and Procedures Section F 1.1 states, "...all persons having access to or knowledge about applicants, or certified operation files shall: 1.1 sign the Confidentiality Agreement of Certified Organic, Inc. prior to doing any work for or with COI. *There are no current Confidentiality Agreements on file. There have been agreements signed since the initial accreditation. The inspector of record today, signed both a confidentiality statement and a conflict of interest statement prior to performing the inspection.* **Submitted Corrective Action:** COI submitted the Confidentiality Agreements for all but one of the listed inspectors along with the Program reviewer and the certification agent. None of the client files submitted had inspection reports signed by Arthur Harvey so it is unclear if this inspector was used.

NP5144EEA.NC11 – Minor – Adequately Addressed - NOP §205.662 states, "...when an inspection, review, or investigation of a certified operation by a certifying agent reveals any noncompliance with the Act or regulations a written notification of noncompliance shall be sent to the certified operation. Such notification shall include..." *The certifying agent has not issued a notification of non-compliance to date. All findings from the inspections have been managed as observations and not as non-compliances to the Rule.* **Submitted Corrective Action:** The updated policies and procedures manual, Clause D1.4-1.5 states that all non-compliances shall be sent to the recipient's place of business via a delivery service that provides dated return receipts. This procedure provides for compliance to the Rule.